on the budget for investment in areas like infrastructure and social services, Government cannot continue to indefinitely provide capital to public sector banks. The Committee has further suggested that the public sector banks should be encouraged to raise capital from the market and minimum shareholding by the Government and the Reserve Bank of India in the equity of nationalised banks and the State Bank of India should be brought down to 33 percent respectively. The recommendations of the Committee are under examination.

Reduction in Government Expenditure

123. SHRI O.P. KOHLI: Will the Minister of FINANCE be pleased to refer to the answer to Unstarred Question No. 2274 given in the Rajya Sabha on the 16th March, 1999 and state:

(a) the extent to which Government expenditure was reduced consequent on the 10 per cent cut in non-plan expenditure during 1998 and 1999, year-wise, department-wise;

(b) whether the objective for which the 10 per cent cut was imposed has been achieved; and

(c) if not, the areas which lack curtailment of expenditure?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) to (c) The Union Government Accounts for the year 1998-99 are still under finalisation. The results of the cut in expenditure last year will be known only after the accounts for the year 1998-99 are finalised. For the current year, the outcome would be reflected in the Revised Estimates 1999-2000.

Slashing down of CRR

124. SHRI O.P. KOHLI: Will the Minister of FINANCE be pleased to state:

(a) whether RBI has slashed CRR by 1% as demanded by FICCI;

(b) whether slashing will improve the profitability of the banks and make available more money for the commercial sector;

(c) how many times in the last five years the CRR has been slashed and what effect it had on the banks' profitability and making available funds for commercial sector;

(d) whether a number of banks are running into losses/less profit and loans granted to commercial sector are not being realised; and

(e) the reasons for reducing the CRR?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) to (c) and (e) Reserve Bank of India (RBI) reduced Cash Reserve Ratio (CRR) by one percentage point in two instalments, the first reduction effective from the fortnight beginning November 6, 1999 and the next effective from the fortnight beginning November 20, 1999 on monetary considerations and taking into account the economic and liquidity conditions in the economy. This would help to augment the lendable resources of the banks and improve the bank's profitability. The CRR has been reduced 17 times in the last five years out of total revision of 20 times. The details of CRR revisions and the amount augmented/impounded due to the revisions are given in the enclosed statement. (*See* below). The changes in CRR have served the purpose of regulating liquidity and have been effective in meeting the short-term challenges in domestic money and forex markets.

(d) During the year 1998-99 only two public sector banks showed a net loss. RBI/Government have been advising banks to take steps to recover the money advanced by banks. For this purpose the banks have laid down their loan policy, loan recovery policy, investment policy, duly vetted by the Board of Directors. In order to improve recoveries in high value Non Performing Assets, settlement Advisory Committees headed by a Retd. Judge have also been formed by eight nationalized banks to scrutinize, evaluate and recommend compromise proposals to the appropriate authority for their consideration.

Statement

Changes in Cash Reserve Ratio (CRR) in the last five years 1995—1999

Fortnight beginning	CRR Percent	Amount released/ Impounded (Rs. crores)
November 11, 1995	14.5	2000
December 9, 1995	14.0	2000
April 27, 1996	13.5	3800
May 11, 1996	13.0	
July 6, 1996	12.0	4100
October 26, 1996	11.5	4275
November 9, 1996	11.0	
January 4, 1997	10.5	4275
January 18, 1997	10.0	
October 26, 1997	9.75	1200
November 22, 1997	9.5	1200
December 6, 1997	10.0	2400
January 17, 1998	10.5	2500
March 28, 1998	10.25	1300
April 11, 1998	10.0	1300
August 29, 1998	11.5	5600
March 13, 1999	10.5	3100
May 8, 1999	10.0	3250
November 6, 1999	9.5	7000
November 20, 1999	9.0	